

**CITY OF ELLENSBURG**  
**Kittitas County, Washington**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. Controls Over Financial Reporting Should Be Improved

The annual financial statements prepared by the city contained several errors involving misclassification of account balances. Although the financial statements in total agree to the city's supporting documentation, many of the following classification errors were noted.

- a. Assessments receivables were not classified as current, delinquent, deferred, or as interest and penalties.
- b. Some interfund loan receivables were misclassified as due from other funds.
- c. Some interfund loan receivables were misclassified as investments.
- d. The Claims and Payroll Funds contained liabilities which should be reported in the funds which incurred the liability.
- e. Several of the items as noted on the General Ledger did not roll up to the appropriate account balance on the financial statements
- f. Several of the account titles and numbers did not agree to the *Budgeting, Accounting and Reporting System* (BARS) manual

RCW 43.09.230 states in part:

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose . . . .

To satisfy the requirements of RCW 43.09.230, the city's accounting system must include adequate internal controls to detect errors in a timely manner. The American Institute of Certified Public Accountants (AICPA) *Statement of Auditing Standards*, Section 319.69(2) states:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following:

- a. Transactions are executed in accordance with managements general and specific authorization.
- b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c. Access to assets is permitted only in accordance with management's authorizations.
- d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to differences.

Failure to present annual reports in an accurate manner denies the public a complete picture of the city's financial position. It also precludes the city council from having meaningful information for decision making.

The city's finance department has been understaffed for the past few years, which has resulted in a shortage of time for the finance director to review the financial information as reported in the accounting records. The finance director reviews the year end reports for accuracy of the financial statements in total and does not spend additional time on the detailed information. During 1994, the finance department hired an additional employee so that the finance director may fulfill his responsibilities.

We recommend the city officials establish and maintain sufficient accounting controls to provide accurate financial reports. We acknowledge that the city has made improvements and understand they are committed to further improve in their accounting and reporting systems.

2. The City Should Establish Adequate Internal Controls Over Cash At The Swimming Pool

We noted weaknesses in the internal control structure for collection, receipting, and reconciliation processes of the swimming pool. We consider the following internal control weaknesses to be reportable conditions.

- a. The city and county pool admittance rates are not always being enforced. The city has adopted two rate structures, one for city residents and one for county residents. Verification of city or county residency is not being performed, which has caused the lower city rate being charged for county residents.
- b. Cash drawers are not locked when unattended.
- c. The city has not implemented controls over the city pool cash drawer to restrict accesses by unauthorized personnel. It was noted on several occasions that unauthorized individuals were behind the pool counter and had access to the unlocked cash drawer.
- d. Cash collections were not always indicated on the cash receipt forms to enable reconciliation of receipts to sales.
- e. Mode of payment is not noted on the receipts forms to enable reconciliation to type of payment.
- f. No segregation of duties exists between cash collection and reconciliation.

RCW 43.09.200 states in part:

The system should exhibit true accounts and detailed statements of funds collected, received, and expended for accounts of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

*Budgeting, Accounting and Reporting System (BARS) manual, Volume 1, part 3, Chapter 1, pages 23-24 states in part:*

Internal control systems and all other significant events are to be clearly documented, and the documentation is to be readily available for examination.

Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained.

The absence of adequate internal controls over the cash receipting system at the swimming pool results in increased risk that errors and/or irregularities could occur and go undetected.

In addition, additional procedures were necessary to provide reasonable assurances that

the recorded revenues, charges, and adjustments to the cash receipting system were accurate, authorized, and complete.

The recreation director does not feel he has competent and or sufficient employees to fulfill all these requirements

We recommend the City of Ellensburg pool establish and maintain internal controls over the cash receipting system.